



STATE OF ARIZONA

JANET NAPOLITANO  
GOVERNOR

OFFICE OF THE GOVERNOR  
1700 WEST WASHINGTON STREET, PHOENIX, AZ 85007

MAIN PHONE: 602-542-4331  
FACSIMILE: 602-542-7601

June 28, 2006

The Honorable Ken Bennett  
President  
Arizona State Senate  
1700 West Washington Street  
Senate Office Building  
Phoenix, Arizona 85007

Re: Senate Bill 1432: water utility systems; valuation

Dear President Bennett:

Today I vetoed Senate Bill 1432 regarding the valuation of water utility systems.

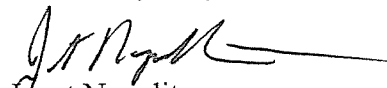
This bill would have reduced the cash value of all taxable water utility systems of every size to \$500 per system. Currently, the actual aggregate full cash value of Arizona's 324 water companies is \$370 million, for an average value of \$1.14 million per company. The reduction in valuation to \$500 per company would result in a tax reduction for the companies and a tax shift to other taxpayers of approximately \$11 million per year. To make matters worse, the primary beneficiaries of this tax break would be just two water companies, who would absorb 50 percent of the benefit.

Moreover, although property tax expenses are one of the costs considered by the Corporation Commission in setting the water rates that these companies are authorized to charge, Senate Bill 1432 does not require these companies to request water rate reduction hearings to account for the reduced valuation. As a result, it is not clear that water company customers would have benefited from this bill.

Perhaps most importantly, this bill sets a dangerous precedent by providing what amounts to a property tax exemption to for-profit businesses simply because there are other non-profit or public sector companies within the same industry that are exempt from property taxation.

This type of special interest tax break is not in the best interest of the state. For these and other reasons, I have vetoed Senate Bill 1432.

Yours very truly,

  
Janet Napolitano  
Governor

JN:TN/jm

cc: The Honorable Jim Weiers  
The Honorable Dean Martin